



DEPARTMENT OF BUDGET AND FISCAL SERVICES

Mary Patricia Waterhouse, Director
Patrick T. Kubota, Deputy Director



ADMINISTRATION DIVISION

Mary Patricia Waterhouse, Director

POWERS, DUTIES AND FUNCTIONS

The Department of Budget and Fiscal Services is the central budgeting and accounting agency for the City and County of Honolulu.

Among its responsibilities are: long-range financial planning; managing the City's operating and capital improvement budgets; managing the City's revenue and disbursement activities and financial records; overseeing equipment inventories; managing the real property assessment program; and administering the City's centralized purchasing activity. Additionally, it administratively supports the Liquor Commission, two Boards of Review and two pension funds. It also administers the City's Risk Management Program.

HIGHLIGHTS

Significant efforts were spent on financial analysis and providing background data to the City Council and general public for the Fiscal Year 2006 (FY 2006) Operating Budget.

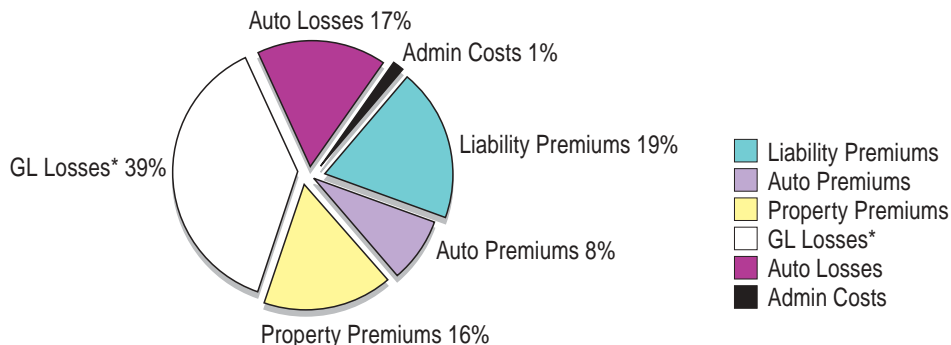
RISK MANAGEMENT

The City's Risk Management program, established under Section 2-5 of the Revised Ordinance, covers all City departments and agencies except the Board of Water Supply and Oahu Transit Services, and excludes workers' compensation and employee benefits. The program focuses on insurance and self-insurance to minimize the adverse financial impact of losses, as well as claims management, loss prevention and other activities.

The City is primarily self-insured for all risks of loss or damage, and purchases excess insurance above the self-insurance program to provide additional financial resources to cover the City's liabilities. In addition, commercial insurance is purchased to address unique risks or to satisfy statutory or contractual obligations. Self-insurance costs are generally stable, but commercial insurance costs are subject to conditions of the insurance market place. Liability premium rates declined slightly for FY 2006, but property insurance costs remain high, due to market response to property coverage for the catastrophic perils of hurricane, flood and earthquake.

As a consequence premium costs for FY 2006 increased approximately \$400,000 over FY 2005, or about 25%. The following chart shows the breakdown of risk management costs for FY 2006.

HOW RISK DOLLARS ARE SPENT FY 2006



*General Liability losses funded through Department of Corporation Council



Analysis of loss data for the past five years shows the following most frequent causes of loss, and the most severe types of losses:

<u>MOST FREQUENT</u>	<u>FY06</u>	<u>FY05</u>	<u>MOST SEVERE</u>	<u>FY06</u>	<u>FY05</u>
Auto Related	34%	33%	Flood - Maint	21%	20%
Potholes	16%	17%	Auto Related	19%	18%
Towing Ops	9%	10%	General Gov	9%	**
Sidewalks	4.5%	5%	Employment	7%	7%
Tree Related	4.5%	4%	Sidewalks	6%	4%

** General Government claims did not appear in the 5 most severe causes of loss in FY05

ACCOUNTING DIVISION

Nelson H. Koyanagi, Jr., Chief Accountant

POWERS, DUTIES AND FUNCTIONS

The Accounting Division plans, develops, directs and coordinates central accounting for the City and County of Honolulu; provides financial services to departments and agencies; reviews the manner in which public funds are received and expended; insures that monies withdrawn from operating budgets are in accordance with operating budget ordinance and allotments; administers central preparation of payroll; liquidates claims under a centralized voucher system; and prepares financial statements and reports on city operations.

HIGHLIGHTS

The division worked with the Budgetary Administration Division in assisting departments and agencies with the preparation of the FY 2007 operating budget. The division also prepared expenditure schedules in accordance with the approved FY 2006 budget ordinance, per the Revised Charter of the City and County of Honolulu.

The division provided financial planning, guidance, and analytical support to the departments and agencies to meet their goals and objectives.

Financial statements and reports issued:

- City and County of Honolulu's Comprehensive Annual Financial Report (CAFR) ending June 30, 2005 for which the City was awarded the Certificate of Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The City has received this prestigious award for 19 of the last 20 years.
- Budget and Fiscal Services Director's Quarterly Financial Reports for the last quarter of FY 2005 and the first three quarters of FY 2006.
- Statement of funded indebtedness outstanding and unpaid as of June 30, 2005, required by Section 47C-2, Hawaii Revised Statutes (HRS), as amended (prepared jointly with Treasury Division).

In FY 2006, the City entered into a contract with CGI-AMS to provide software and services to replace the City's financial, fixed assets, and human resources systems. The implementation of the new system began during the fourth quarter of FY 2006. The project consists of two phases. Phase 1, which is expected to be completed by July 2007, includes the financial and fixed asset modules. The payroll and human resources functionality will be implemented in Phase 2 with a targeted "go live" date of January 1, 2008. The Accounting Division staff is actively participating in the financial as well as the human resources and payroll phases of this city-wide project. It is anticipated that the new system will provide efficiencies in operations and will allow for more timely and accurate information for reporting and decision making.





BUDGETARY ADMINISTRATION DIVISION

Marcia Bise, Budget Program Administrator

POWERS, DUTIES AND FUNCTIONS

The Budgetary Administration Division administers the budgetary management and analysis program of the Executive Branch of the City and County of Honolulu. This includes the preparation and submittal of the annual Executive Program and Budget to the City Council, as well as analysis and administration of the budgetary management programs of the 23 executive agencies in the City and County of Honolulu.

PREPARATION AND SUBMITTAL OF THE MAYOR'S EXECUTIVE OPERATING PROGRAM AND BUDGET

As required by the Revised Charter of the City and County of Honolulu 1973 (2000 Edition), "the Director of Budget and Fiscal Services shall prepare the operating and capital program and budget, and necessary budget ordinances and amendments or supplements thereto under the direction of the Mayor."

To accomplish the above, the division received, reviewed, evaluated and finalized the Mayor's Fiscal Year (FY) 2007 Executive Operating Program and Budget proposal, which reflected fiscal restraint in spending.

The Executive Operating Program and Budget proposal totaled \$1,492.8 million, which was \$131.6 million more than the previous fiscal year, or an increase of 9.7 percent. The increases were in the following areas:

- Fixed costs increased by \$12.0 million, or 2.7% over the previous fiscal year. Increases were primarily for debt service increase of \$22.7 million, or 9.7%; judgments and losses increase of \$6.7 million, or 158.7%; retirement system contribution increase of \$3.2 million, or 5.0%; and FICA tax increase of \$1.1 million, or 5.5%. Decreases were primarily for salary adjustments and accrued vacation pay decrease of \$21.4 million, or -86.0%; and worker's compensation decrease of \$0.9 million, or -7.3%.
- The operating budgets of the executive agencies included the costs of approved collective bargaining salary increases and reflected an increase of \$119.6 million, or 13.1%. Major expenditure highlights of the executive agencies are included in the section below. In order to lower the overall increase in the operating budgets of the executive agencies, a total of \$21.0 million in salary funds (full time equivalent of approximately 590 vacant positions) were cut from the budgets of the executive agencies.

HIGHLIGHTS OF THE MAYOR'S EXECUTIVE OPERATING PROGRAM AND BUDGET

Highlights of the Mayor's FY 2007 Executive Operating Program and Budget proposal included:

Expenditures

- \$40 million for salary increases, which are negotiated and arbitrated on behalf of all public employees statewide
- \$32 million for increased energy costs, primarily fuel and electricity
- \$23 million for increases in debt service payments for money the City previously borrowed
- \$10 million for environmental programs, primarily to meet new federal mandates regarding storm water pollution control and to expand the greencycling automated curbside green waste recycling program, islandwide
- \$10 million for the West Oahu-downtown commuter ferry and the Honolulu High-Capacity Transit Corridor Project

Property Taxes

- A continuation of the current property tax rates, with the inclusion of the following recently adopted tax relief measures.
- A doubling of the basic homeowner's exemption from the current \$40,000 to \$80,000 for owner-occupants up to 64 years old. Owner occupants 65 and older would be eligible for a homeowner's exemption of \$120,000. This replaced the current exemptions where the standard \$40,000 exemption increases in five-year steps beginning at \$60,000 for property owners who are age 55 and older, up to \$120,000 for those 70 and older.
- For persons 75 years and older with low-income super-exemptions, a change in filing requirement, from an annual filing requirement to a filing requirement every five years, up to the age of 90. After age 90, no filing reapplication is required.
- A tax credit for owners granted a home exemption where titleholders have an aggregate income of no more than \$50,000. Eligible owners would receive a tax credit for any amount that exceeds 4 percent of their income.

ADOPTION OF THE OPERATING BUDGET

The City Council adopted an Operating Budget for FY 2007 totaling \$1,500.2 million. This included \$1,486.4 million for the Executive Operating Budget for the Executive Branch and \$13.7 million for the Legislative Budget for the Legislative Branch, which includes the City Council, Office of Council Services, the City Clerk, and the City Auditor.

The FY 2007 Executive Operating Budget appropriations for the Executive Branch are shown by function below.

<u>Function</u>	<u>Executive Operating Budget</u> <u>(in millions)</u>	<u>% of Total</u>
General Government	\$ 163.0	11.0
Public Safety	305.3	20.5
Highways and Streets	20.6	1.4
Sanitation	214.8	14.5
Health and Human Resources	65.2	4.4
Culture-Recreation	79.5	5.3
Utilities or Other Enterprises	169.7	11.4
Debt Service	257.8	17.3
Miscellaneous	210.5	14.2
TOTAL	\$1,486.4	100.0

EXECUTION OF THE EXECUTIVE OPERATING PROGRAM AND BUDGET

The Revised Charter of the City and County of Honolulu 1973 (2000 Edition) specifies that the director of budget and fiscal services shall review the operating and capital budget program schedules of each executive agency and make budgetary allotments for their accomplishments with the approval of the mayor, and review all executive agency requests for the creation of new positions.

The Budgetary Administration Division provided the above services for the Executive Operating Program and Budget and worked to ensure that the executive operating expenditures for the fiscal year were made as appropriated.

FISCAL/CAPITAL IMPROVEMENT PROGRAM (CIP) ADMINISTRATION DIVISION

Alan B. Kilbey, Chief Fiscal/CIP Analyst

POWERS, DUTIES, AND FUNCTIONS

The Fiscal/CIP Administration Division administers the City's six-year capital program, Citywide revenue, central accounts, long-range financial planning programs; and the U.S. Department of Housing and Urban Development's Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grant and Housing Opportunities for Persons With Aids programs.

FISCAL/CIP ANALYSIS BRANCH

This branch prepares the capital program and budget and necessary budget ordinances and amendments or supplements thereto. It also reviews the capital budget program schedules of each executive agency, makes budgetary allotments, and analyzes and develops debt service programs for the City.

Accomplishments in FY 2007 Capital Budget. The mayor submitted a FY 2007 capital budget of \$629.0 million. The City Council adopted a capital budget of \$680.7 million.

The Capital Budget appropriations, shown by function, are summarized below:

<u>Function</u>	<u>Amount(in millions)</u>	<u>% of Total</u>
General Government	\$ 48.4	7.1%
Public Safety	\$ 43.3	6.4%
Highways and Streets	\$ 97.8	14.4%
Sanitation	\$ 356.6	52.4%
Human Services	\$ 15.8	2.3%
Culture-Recreation	\$ 42.0	6.2%
Utilities or Other Enterprises	\$ 76.8	11.2%
TOTAL	\$ 680.7	100%



Detailed below is a breakdown by funding source of the Capital Budget:

Source	Amount(in millions)	% ofTotal
Borrowed Funds	\$ 561.8	82.5%
Federal Funds	\$ 59.5	8.8%
Special Projects Fund	\$ 0.1	0.0%
Transit Fund	\$ 42.0	6.2%
City Funds	\$ 17.3	2.5%
TOTAL	\$ 680.7	100.0%

Execution of the Capital Budget

The Fiscal/CIP Branch monitored the implementation of capital projects through review and recommendations of CIP appropriation allotment requests, requests for independent consultants and amendments, requests to increase construction contract contingencies and the CIP Quarterly Status Report. In regards to capital budget spending, this branch is extensively involved in the analysis and monitoring of the encumbrances and expenditures of funds for capital projects due to the increasing debt service of the City.

COMMUNITY DEVELOPMENT BLOCK GRANT /FEDERAL GRANTS BRANCH

This branch serves as the City's lead entity in the receipt, expenditure, administration, reporting and monitoring of the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons With AIDS (HOPWA) programs. In close partnership with the Department of Community Services, the Department of Design and Construction and other city agencies, the CDBG program has provided services and facilities to low/moderate-income persons and other eligible participants in our community. These HUD programs are described below:



Community Development Block Grant

The CDBG program is a federal program that provided Honolulu with \$11.2 million of entitlement funds in FY 2006 through the U.S. Department of Housing and Urban Development, in addition to generating more than \$2.3 million in program income. The CDBG program began in 1974 and since then the City has utilized approximately \$417 million to undertake various housing, public facility, public services, economic development and public works activities, designed to develop viable urban communities through the provision of decent housing and a suitable living environment, principally for persons of low and moderate income.

HOME Investment Partnerships (HOME)

The HOME program is another HUD program that provides entitlement funds to the City. Authorized under Title II of the National Affordable Housing Act of 1990, this program seeks to provide affordable housing opportunities for lower income individuals and households. In FY 2006, more than \$3.7 million was expended to supplement projects addressing the housing needs of Honolulu's lower income households. To date, the City has received approximately \$61 million in HOME funds.

Emergency Shelter Grants (ESG)

The ESG program, authorized under Subtitle B of Title IV of the Stewart B. McKinney Homeless Assistance Act, provides HUD funds to assist the homeless population. During FY 2006, the ESG program expended \$489,000. To date, approximately \$7 million of ESG funds have been used for various rehabilitation activities and programs that serve Honolulu's homeless population.

Housing Opportunities for Persons With AIDS (HOPWA)

Authorized by Public Law 101-624, AIDS Housing Opportunity Act, as amended, HOPWA funds are utilized to meet the housing needs for persons with AIDS or related diseases and their families. During FY 2006, the HOPWA program expended \$421,000. In the five-year period since Honolulu first received entitlement funds from HUD, a total of \$3 million has helped provide rental housing and supportive service assistance to Honolulu's at-risk HIV-positive population.

HIGHLIGHTS

During the past year, the Federal Grants Branch in conjunction with the planning, development and administration of the CDBG, HOME, ESG and HOPWA programs:

- Completed the 12th Year Action Plan, detailing FY 2007 projects to be undertaken by the City for the CDBG, HOME, ESG and HOPWA programs; while doing so, reviewed over 100 applications.
- Completed the Annual Performance Report (APR) for the CDBG, HOME, ESG and HOPWA programs for the period ending June 30, 2006.

- Through Empower Oahu, conducted workshops and training sessions to facilitate the development of Neighborhood Revitalization Strategy Areas (NRSA) to target assistance to communities in need of revitalization.
- Provided interpretive and technical program assistance to various city agencies and private nonprofit organizations, including the annual CDBG/HOME workshop for new subrecipients.
- Monitored compliance with federal, state and local law.
- Assisted in the City's efforts to comply with the federal government's single audit requirements; underwent HUD on-site monitoring and environmental monitoring to ensure compliance with HUD requirements.
- Provided HUD with project and expenditure information using HUD's Integrated Disbursement and Information System (IDIS), including complying with HUD workout agreement and timeliness requirements.
- Developed and implemented a new Request for Proposals (RFP) process for awarding CDBG/HOME projects.

FISCAL/LONG-RANGE PLANNING BRANCH

This branch analyzes and develops the City's revenue estimates, central accounts and long-range financial planning programs. It also analyzes, administers, and monitors the City's general and special revenue funds.

HIGHLIGHTS

In collaboration with the Budgetary Administration Division, the branch evaluated and finalized the Mayor's Executive Operating Budget FY 2007 proposal, which totaled \$1,492.8 million. The City Council adopted an Operating Budget of \$1,486.4 million. The Fiscal/Long-Range Branch ensured that individual special funds and the general fund were in balance upon submission to the City Council. It also estimated and proposed the means to finance the City, enabling it to carry out its function and responsibilities. All revenue sources were analyzed and the estimates finalized.

Detailed below is a breakdown by revenue sources of the Operating Budget:

Source	Amount (in millions)	% of Total
Real Property Tax	\$676.0	43.2 %
Fuel Tax	\$ 52.1	3.3 %
Motor Vehicle Weight Tax	\$ 67.7	4.3 %
Public Utility Franchise Tax	\$ 29.9	1.9 %
Transient Accommodations Tax	\$ 44.0	2.8 %
Public Service Company Tax	\$ 30.1	1.9 %
Excise Surcharge Tax-Transit	\$ 3.02%
Federal Grants	\$ 81.6	5.2 %
State Grants	\$ 7.75 %
Licenses and Permits	\$ 45.2	2.9 %
Charges for Services	\$ 26.2	1.7 %
Sewer Revenues	\$165.3	10.6 %
Bus Transportation Revenues	\$ 42.7	2.7 %
Solid Waste Disposal Revenues	\$108.4	6.9 %
Other Revenues	\$ 58.7	3.7%
Carry Over (including carry over of H-POWER Equity Funds)	\$127.4	8.2 %
TOTAL	\$1,566.0	100.0%

Taxes (real property, fuel, motor vehicle, public utility franchise, transient accommodations and public service company) provided \$899.8 million to finance the \$1,491.4 million Operating Budget. Sewer and solid waste fees, which fund operations and projects that maintain the City's pristine environment, provided \$273.7 million. Other revenues included reimbursements from the State of Hawaii for the performance of their functions.

FY 2007 Real Property Tax Rates

Real property assessments continued to increase as a result of the real estate market recovery and the affordable low interest rates. The residential tax rate for FY 2007 that included the single family residential, and apartment/condominium classes was reduced by 4% to \$3.59 per thousand of assessed value, the non-residential tax rate for commercial, industrial, and hotel/resort land uses was increased by 5% to \$11.97, conservation remained at \$9.57, and the rate for agriculture remained at \$8.57 per thousand of assessed value. A one-time real property tax discount of \$200 for homeowner's was approved for the fiscal year 2007.

FY 2007 Debt Service and Central Accounts

Debt service and central accounts are obligations of the City that must be paid, over which it has limited control. For debt service payments, the Fiscal/CIP Branch worked in conjunction with the Budgetary Administration, Treasury and Accounting divisions to develop the amounts required. The remaining costs were developed in collaboration with other divisions, departments and state personnel.

The table below illustrates debt service payments and central accounts for the City:

Debt Service	\$ 257.8
Retirement Contributions	\$ 66.9
FICA Tax	\$ 21.1
Workers' Compensation	\$ 12.0
Unemployment Compensation	\$ 0.5
Health Fund	\$ 76.0
Provision for Salary Adjustment	\$ 3.3
Provision for Judgments and Losses	\$ 10.9
Provision for Risk Management	\$ 7.1
Provision for Electricity	\$ 2.4
Provision for Other Energy Costs	\$ 9.4
Provision for Matching Funds	\$ 1.0
TOTAL	\$ 468.4

Long-Range Financial Plan from FY 2007-2012

The financial plan covers six years and was developed by first compiling data and projections developed by various sources. The primary portion of the base year expenditures and revenues was based on the FY 2007 operating and capital budgets. For future years, compilations utilized were (1) long-range plans for most enterprise fund operations, (2) debt service projections, (3) the six-year capital program and (4) estimates based on projections developed and/or provided by the State of Hawaii Department of Budget and Finance. Anticipated new cost projections were developed by city agencies. Other costs and revenues were adjusted in accordance with projections developed by the Council on Revenues. The projected amounts were analyzed and a statement of how to meet future expenditure requirements was developed.



INTERNAL CONTROL DIVISION

Michael R. Hansen, Chief Accountant

POWERS, DUTIES, AND FUNCTIONS

The Internal Control Division performs professional and objective examinations and evaluations of the City's financial activities. Seven staff members audit, review, and monitor the controls and processes for safeguarding city assets and recording financial transactions; and recommend practical changes and cost effective improvements. The division personnel include certified public accountants and a certified fraud examiner. In addition, each analyst is a certified government financial manager.

SIGNIFICANT ACCOMPLISHMENTS FOR FY 2006

Annual Recurring Audits, Reviews and Evaluations

1. Completed follow-up review of the independent auditor's financial and single-audit comments, and coordinated the City's response to the independent auditors.
2. Coordinated the response to the independent auditor's Federal Grants Risk Assessment Questionnaire.
3. Completed quarterly cash counts and prepared statement of the amount and kind of funds in the city treasury as required by the City Charter.
4. Monitored the compliance by all city agencies with the budget and fiscal services policies and procedures pertaining to the annual count of petty cash and change funds.
5. Audited the annual H-Power true-up billing from the plant operator.
6. Developed the City's consolidated local central service cost allocation plan and indirect cost rates.
7. Performed audits of relocation transactions.

Special Studies and Investigations

1. Provided fraud awareness training to city employees and maintained the fraud awareness and internal control intranet information website.
2. Performed financial analysis and support for various ongoing investigations alleging fraud.
3. Completed transaction reviews and provided guidance regarding apparent irregularities reported by various city agencies.
4. Provided internal control review and analysis services to various departments on a project- by-project basis.
5. Performed departmental purchase card program audits for the Environmental Services, Facility Maintenance, Cus-

tomter Service, Parks and Recreations, and Enterprise Services departments.

6. Performed Fixed Assets Computerized System (FACS) follow-up reviews for Environmental Services, Facility Maintenance, Human Resources, Prosecuting Attorney, and Information Technology departments.
7. Monitored the low/moderate income housing compliance requirements for projects in the Multi-Family Housing Program.
8. Participated in the implementation of a web-based payment system for building permits.
9. Performed reviews of requests by various departments to amend petty cash and change fund amounts.
10. Coordinated the renewal of the contract and compiled statistics for the credit card program.
11. Provided guidelines for the timely recording of city bank deposits into the City's accounting system.
12. Provided guidelines to the Board of Water Supply for recording bank deposits and adjustments in the City's accounting system.
13. Assisted Customer Service Department, Motor Vehicle Accounting Division, and Department of Information Technology in establishing accounting procedures to record internet motor vehicle registration renewal transactions.
14. Participated in the Enterprise Resource Planning Software and Implementation Project (ERP). Assisted in the evaluation of proposals for a new financial and human resources management system.
15. Provided consulting and analysis services to the Mayor's Project Management Office.
16. Assisted the Department of Environmental Services in the contractual review of Hawaii Kai sewer fees.
17. Completed a review of and provided recommendations for automotive equipment service inventory controls.
18. Conducted an analysis of Department of Environmental Services coal conveyor easement contract revenues.
19. Completed a review of proposed overhead rates by independent contractor for Design and Construction contract.
20. Coordinated the project to cancel unneeded outstanding purchase order encumbrances for all city Departments.
21. Performed confirming purchase order follow-up review for Prosecuting Attorney and Emergency Services departments.
22. Compiled data and filed request for refunds of eligible federal excise tax paid on aviation fuel purchased by the Honolulu Fire and Police departments.

LIQUOR COMMISSION

Dewey H. Kim, Jr., Administrator

MISSION STATEMENT

To promote our community's health, safety and welfare by effectively and fairly administering and enforcing Hawaii's liquor laws.

POWERS, DUTIES AND FUNCTIONS

Pursuant to Chapter 281 of the Hawaii Revised Statutes, the Liquor Commission has the sole jurisdiction, power, authority and discretion to grant, refuse, suspend and revoke any license for the manufacture, importation or sale of intoxicating liquor within the City and County of Honolulu. The commission also hears and adjudicates violations of liquor laws and rules committed by liquor licensees. The City Charter administratively attaches the Liquor Commission to the Department of Budget and Fiscal Services.

LIQUOR COMMISSION BOARD

The board's five¹ members are appointed by the mayor and confirmed by the City Council. Each commissioner serves a five-year term with the term of one member expiring each year.

<u>Member</u>	<u>Term Expires</u>
Dennis Enomoto, Chairman	December 31, 2010
Danny Kim	December 31, 2007
Iris R. Okawa	December 31, 2008
Jon F. Yamaguchi	December 31, 2009

Licenses and Permits

There were 1,384 liquor licenses in effect within the City and County of Honolulu as of June 30, 2006. The Commission's Licensing Section investigates applicants for liquor licenses, and responds to liquor license inquiries. Activities this fiscal year included the following:

¹Comm. Danny Auyoung resigned in November 2005

<u>Investigations and Reports</u>	<u>Completed</u>
New Premises	83
License Transfers	63
Temporary Licenses	60
Special Licenses	47
Special (Non Profit) One-Day Licenses	281
Transient Vessel Licenses	34
Change of Class	4
Reports on New Officers And Directors	65
Requests for Extension and Alterations to Premises	163
Reports on Transfers of Corporate Stock	35
Field Inspections	535
Miscellaneous Investigations, Reports and Other Activities	162

Enforcement

The Commission's Enforcement Section inspects all liquor-licensed premises and is responsible for administering the liquor law and rules compliance program. During this fiscal year, 150 warnings and 721 violations were issued, and 12,000 inspections were conducted. The warnings and violations issued include issuances by enforcement and administration. Also during this fiscal year, 144 complaints about liquor establishments were received, which included drug activity, prostitution, gambling, serving liquor to minors, excessive noise, and other administrative liquor violations. The drug, prostitution, and gambling complaints were referred to the Honolulu Police Department for investigation. After court convictions, substantiated complaints of drug, prostitution and gambling are adjudicated by the commission for license revocation.

Training

The Liquor Commission Server-Training Program certified 3,874 bartenders and managers for licensed premises who were trained in the dangers of driving while intoxicated, interventions with intoxicated patrons, and Hawaii liquor laws. In addition, the Liquor Commission presented liquor service awareness training to 114 liquor licensee server staff. The training focused on preventing liquor over-service and the use of thorough ID checks as the primary means of preventing liquor sales and service to minors. On-site training was made available to three hotels and a restaurant.

Adjudications

The Liquor Commission is responsible for adjudicating liquor law violations. The liquor investigators, the Honolulu Police Department, and other law enforcement agencies refer these violations. The commission adjudicated a total of 532 violations, which included 148 violations pertaining to minors.

These adjudications resulted in the following actions:

<u>Actions</u>	<u>Number</u>
Licenses Revoked Revocations By Charge	11
Licenses Suspended Suspended By Charge	33
Fines Assessed By Charge	464
Charges Adjudicated By Guilty (Guilty Pleas, No-Contest Pleas, Convictions, Defaults, Reprimands, Other	481
Charges Dismissed (Dismissals, Acquittals)	47
Amount Of Fines Assessed	\$299,750

Enforcement Operations with Honolulu Police Department and State and Federal Agencies

The Enforcement Unit conducted 30 joint operations with the Honolulu Police Department, the Department of Homeland Security, Immigration and Customs Enforcement, and the Department of Land and Natural Resources, to investigate and prosecute violators of criminal and liquor laws. "Team PLUS" underage sting operations were conducted with Cancer Research Center of Hawaii, utilizing underaged decoys; this program operates for approximately six months out of the year. The enforcement unit also participated, on a regular basis, in the "Cops-In-Shops" program, in conjunction with retail premises targeting adults purchasing alcohol for minors, and minors attempting to purchase alcohol; this program is designed to place an undercover investigator into the retail premises, and to catch underaged violators as the violation takes place. "Shoulder Tap" operations are conducted at retail premises on a daily basis, targeting adults purchasing alcohol for minors, minors attempting to purchase alcohol, and retailers selling alcohol to minors.

Index to Schedules:

Schedule A	Licenses in Effect (FY 2001-2006)
Schedule B	License Fees Realized by Classification (FY 2006)
Schedule C	Breakdown of Receipts for FY 1997-2006 (in dollars)
Schedule D	Comparative Statement of Receipts and Disbursements for FY 1997-2006 (in dollars)

SCHEDULE A: LICENSES IN EFFECT (FY 2001-2006)

		<u>6/30/2001</u>	<u>6/30/2002</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>
BREW PUB:	General	3	3	3	3	3	3
CABARET:	General	39	39	40	39	42	40
CLUB:	General	15	15	14	14	13	13
DISPENSER:	General	337	329	320	305	300	294
	Beer & Wine	17	14	14	13	13	13
HOTEL:	General	35	35	33	35	36	36
MANUFACTURER:	Other Liquor	0	1	1	1	1	1
	Beer & Wine (Sake)	4	2	1	1	1	1
RESTAURANT:	General	324	326	325	334	244	354
	Beer & Wine	57	55	58	56	58	58
	Beer	0	0	0	0	0	0
RETAIL:	General	510	495	476	486	487	480
	Beer & Wine	57	52	49	47	45	43
TOUR & CRUISE VESSEL:	General	20	20	20	21	19	16
TRANSIENT VESSEL (ANNUAL):	General	2	2	0	0	0	0
WHOLESALE:	General	19	21	20	23	25	26
	Beer & Wine	7	8	8	7	6	6
Grand Total		<u>*1,446</u>	<u>*1,417</u>	<u>*1,382</u>	<u>*1,385</u>	<u>*1,393</u>	<u>*1,384</u>

SCHEDULE B: LICENSE FEES REALIZED BY CLASS - 2005-2006

<u>Class of License</u>	<u>Totals (\$)</u>
CATERER LICENSE	11,290
BREW PUB	23,586
General	4,860
Additional Fees	18,726
MANUFACTURER	1,980
Wine	660
Other Liquors	1,320
Additional Fees	0
WHOLESALE	79,240
General	61,600
Beer & Wine	4,790
Additional Fees	12,850
RETAIL	775,603
General	573,770
Beer & Wine	37,560
Additional Fees	164,273
DISPENSER	558,577
General-Standard	107,100
General-Category 2,3,4	294,555
Beer & Wine	11,280
Additional Fees	145,642
CABARET	263,506
General	78,975
Additional Fees	184,531
CLUB	26,155
General	8,700
Additional Fees	17,455
HOTEL	387,705
General	142,560
Additional Fees	245,145
RESTAURANT	817,723
General	443,130
Beer & Wine	54,500
Additional Fees	320,093
TRANSIENT VESSEL	11,040
Per Day	11,040
Per Year	0
Additional Fees	0

<u>Class of License</u>	<u>Totals (\$)</u>
TOUR OR CRUISE VESSEL	19,988
General	14,080
Additional Fees	5,908
SPECIAL	3,380
General	2,840
Beer & Wine	280
Beer	260
TEMPORARY	16,046
Cabaret General	0
Dispenser General	4,725
Dispenser Beer & Wine	250
Retail General	5,725
Retail Beer & Wine	0
Restaurant General	2,350
Restaurant Beer & Wine	0
Hotel General	250
Additional Fees	2,746
TOTALS	\$2,995,820.61

SCHEDULE C: BREAKDOWN OF RECEIPTS FOR FY 1997-2006 (in dollars)

<u>Fiscal Year</u>	<u>Fees</u>	<u>License Fees</u>	<u>Fines</u>	<u>Filing I.D.</u>	<u>Photo Misc</u>	<u>Total</u>
1996-97	2,532,326	7,000	263,885	85,869	17,397	2,906,477
1997-98	2,458,185	7,200	238,062	84,994	10,661	2,799,102
1998-99	2,450,541	5,200	145,151	108,833	17,839	2,727,564
1999-00	2,475,471	2,200	247,200	122,680	10,661	2,858,212
2000-01	2,529,116	8,200	200,825	115,720	7,265	2,861,126
2001-02	2,571,142	4,600	204,045	105,940	19,679	2,905,406
2002-03*	2,498,273	3,600	340,970	127,100	30,135	3,000,078
2003-04	2,580,032	5,400	235,250	118,270	7,526	2,946,478
2004-05	2,807,679	2,800	177,600	117,930	11,864	3,117,873
2005-06	2,995,821	2,600	266,470	123,190	127,270	3,515,351

SCHEDULE D: COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR FY 1997-2006 (in dollars)

<u>FiscalYear</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Total Expenditures</u>
1996-97	2,906,477	1,838,005	1,082,773	2,920,778
1997-98	2,799,102	1,704,799	1,034,260	2,739,059
1998-99	2,727,564	1,751,346	802,412	2,553,758
1999-00	2,858,212	1,893,262	720,372	2,613,634
2000-01	2,861,126	1,984,852	849,639	2,834,491
2001-02	2,905,406	2,313,152	1,163,897	3,477,049
2002-03*	3,000,078	2,224,397	762,500	2,986,897
2003-04	2,946,478	2,252,904	935,450	3,188,354
2004-05	3,117,873	1,975,205	911,541	2,886,746
2005-06	3,515,351	2,407,067	1,027,796	3,434,863

*Revised

PURCHASING DIVISION

Charles Katsuyoshi, Central Purchasing and Contracts Administrator

POWERS, DUTIES AND FUNCTIONS

The Purchasing Division's 26 employees are responsible for procuring all materials, supplies, equipment, and services for city departments and agencies; processing construction, consultant and personal services contracts required by the City; maintaining inventory of all city personal property and effects exchange, disposal sale, or transfer of surplus equipment; managing city-owned real property including rentals, leases, and concessions; administering the housing relocation functions.

PROCUREMENT AND SPECIFICATIONS BRANCH

This branch is responsible for centrally purchasing goods and services for city agencies. It also establishes standards and specifications, develops proposal documents, and provides technical assistance to agencies to assure quality purchases at reasonable prices.



The branch awarded the following major contracts in FY 2006 ambulances (\$954,108); transit buses (\$19,440,360); and fire engine (\$844,600). A comparison of the workload for the past two years is as follows:

	<u>FY 2006</u>	<u>FY 2005</u>
Advertised bid solicitations	284	187
Request for proposal solicitations	6	4
Contracts awarded	264	327
Small purchases awarded	658	626
Total dollars awarded	\$145,064,603	\$117,848,310

The branch continued to make price-list contract awards to obtain better prices on commonly purchased items. For these contracts, vendors agree to provide goods and services to the City at a fixed price for a set period, typically one year. If an item is less than \$2,000 in cost and is not on the price list, an agency must make the effort to get three price quotes before making award directly to a vendor by issuing a purchase order. The following is a comparison of the decentralized purchasing activities:

	<u>FY 2006</u>	<u>FY 2005</u>
Number of price lists	231	546
Items on price list	2,205	6,314
Number of price list purchase orders	4,812	9,173
Price list purchases	\$25,831,199	\$29,732,671
Number of direct purchase orders	11,055	25,338
Direct purchase orders	\$26,158,136	\$26,756,173

Concessions

Concessions awarded during FY 2006 included:

<u>Concessions</u>	<u>Monthly Rental</u>
Beach Services Concession	\$35,000
Shuttle Bus Service at Hanauma Bay	\$3,201
Lunch Wagon at Kailua Beach Park	\$300

CONSTRUCTION AND CONSULTANT CONTRACTS SECTION

This section processes the City's public works construction and improvement district project contracts as well as the consultant and personal services contracts. Duties include reviewing the contracts, making appropriate recommendations, and providing technical assistance, counseling, and guidance.

Construction Contracts

The City awarded 93 contracts, excluding the Board of Water Supply, for a total of \$171,596,819. The section awarded the following significant construction projects during FY 2006.

<u>Construction Projects</u>	<u>Amount</u>
Sand Island WWTP Primary Expansion, Phase 1	\$67,697,000
Middle Street Intermodal Center, Phase 1B	\$9,453,410
Fort Weaver Road Reconstructed Sewer	\$3,293,836
Resurfacing of Streets, FY05 (1)	\$4,393,000
Resurfacing of Streets, FY05 (3)	\$4,228,543



The following is a comparison of construction contract statistics during FY 2006 and FY 2005:

	<u>FY 2006</u>	<u>FY 2005</u>
Projects advertised	107	108
Contracts awarded	93	149
Total dollar value awarded	\$171,596,819	\$131,719,888

Consultant and Personal Services Contracts

The branch awarded contracts for studies, planning and engineering services, human services and youth projects, and services to the elderly and disadvantaged youth. These services and projects included: Various improvements to buildings, parks, street lighting, roads, drainage systems, sewers and treatment plants; training, prevention and intervention services; education and awareness of domestic violence and family crime; crisis counseling; and information and referral services. The following is a comparison of the consultant and personal services contracts for FY 2006 and FY 2005:

	<u>FY 2006</u>	<u>FY 2005</u>
Number of contracts awarded	167	157
Total dollar value	\$38,261,793	\$25,552,685

PROPERTY MANAGEMENT AND DISPOSAL SECTION

This section maintains the City's real and personal property inventories, disposes of the City's real and personal property, manages the City's real property, and administers the City's housing relocation program.



Personal Property Management

The City's personal property inventory, which includes equipment, machinery, and supplies and materials, is maintained on the Fixed Assets Computer System (FACS). Certain infrastructure assets are also maintained on FACS. At the end of the fiscal year, FACS contained 135,458 records, accounting for 268,963 assets. The dollar value of the assets was:

<u>Assets on FACS Equipment Inventory</u>	<u>Amount</u>	<u>Totals</u>
Office equipment	\$13,878,995	
Motor Vehicles	\$322,785,489	
Aircraft	\$2,906,460	
Computer Equipment	\$70,162,836	
Recreational Equipment	\$3,330,603	
Scientific Equipment	\$7,119,836	
Construction Equipment	\$236,455,196	
Communication Equipment	\$53,392,221	
Other Equipment and Machinery	\$83,339,025	
Total Equipment and Machinery		\$793,379,661
Materials and Supplies	\$2,745,168	
Personal Property Inventory		\$796,115,829
Infrastructure Assets	\$190,415,935	
Total Assets On FACS Equipment Inventory		\$986,531,764

FACS automatically added new equipment purchases totaling \$241,300,355 to the inventory. Major purchases included computer equipment, office equipment, and motor vehicles. Retired assets, valued at \$12,972,689 included trucks, handivans, and police vehicles. Transferred assets, valued at \$61,632,938 included personal computers, office equipment, and motor vehicles.

Fifteen FACS users received "hands-on" computer training and learned about personal property management procedures.

Property Disposal

The section conducted more than nine inspections at various City sites including Manana, Wahiawa, Waipahu, and Halawa prior to disposing equipment. It also conducted four public auctions and sold a total of 95 assets for \$155,476. Scrap metal was also auctioned for an estimated revenue of \$444,000. Notices of these public auctions were available to subscribers of the Auction Notification System (ANTS). There are currently 46 subscribers who receive a year of notices by mail, e-mail, and/or fax. The website received approximately 1,365 inquiries a month. The application for ANTS is also available on the Internet as a public service at www.honolulu.gov/pur/auctions.htm. There is also a 24-hour auction line at 808-527-6789.

Real Property Management

Real Property transactions completed during FY 2006 included:

<u>Real Property Transactions</u>	<u>Number</u>	<u>Amount</u>
Sales of Land	4	\$469,940
Easements	1	\$1,750
Rental Agreements	1	\$804
Total	6	\$472,494

Concessions

Awarded 342 temporary concessions.

Sale of Land

The land sales and easement grants that were completed for FY 2006 are as follows:

<u>Project</u>	<u>Purchaser/Grantee</u>	<u>Sale Fee Price</u>
Laumaka Street	Honolulu City & County Employees Federal Credit Union ..	\$171,200
Puuloa Road	Cycle City, Ltd.	\$249,400
Wailua Street	Peninsula Hawaii-Kai, LLC	\$40,740
Bachelot Street	Deborah Ann HorioHunnie C. Yee	\$8,600
Sunset Beach Park	Hawaiian Electric Company, Inc.	\$1,750

There are a total of 22 existing agreements for the rental of the City's surplus properties. The annual rental revenues generated is \$192,003.

Real Property Inventory

Land. The City's assets in land, land improvements, and infrastructures increased in FY 2006 from FY 2005. The increase resulted in 228 additional assets from 22,354 to 22,582. The total Land value in FY 2006 was \$1,480,734,561 compared to \$1,476,845,270 in FY05.

Structures

The City's total asset value of structures in FY 2006 was \$1,486,419,997 compared to \$1,651,697,657 in FY 2005. The decrease in value in FY 2006 from FY 2005 was due to the H-Power asset being transferred to an equipment asset. The structural assets increased by 81 from 3,692 in FY 2005 to 3,773 in FY 2006.

Total Land and Structures Values. The total value of the City's land and structures decreased by \$161,388,369 in FY 2006 from FY 2005. The total assets for the City's land and structures increased by 309 from FY 2005 to FY 2006.

Housing Relocation Section

This section administers the Federal Uniform Relocation Act and the Hawaii Revised Statutes, Chapter 111, Assistance to Displaced Persons. Its mission is to (1) help the City complete its projects by relocating persons on a timely basis, (2) help displaced persons accept and ease the trauma of relocation by providing advisory services, and (3) provide information about relocation to any interested party. The City's relocation policies and procedures can be found at <http://Cityfyi/fin/policy/31.20.doc>.

For FY06, a total payment of \$906,898.77 was made for two relocation projects:

<u>Relocation Projects</u>	<u>Amount</u>
Ewa Villages Revitalization – Residential(2 tenants)	\$6,087.00
Middle Street Transit Center – Commercial (10 tenants)	\$900,811.77
Total	\$906,898.77



REAL PROPERTY ASSESSMENT DIVISION

Gary T. Kurokawa, Real Property Assessment Administrator

POWER, DUTIES, AND FUNCTIONS

The Real Property Assessment Division administers provisions of Chapter 8, Revised Ordinances of Honolulu, relating to the assessment of real property for tax purposes. It ensures that property assessments, based on market value standards and uniformly applied laws, are fair and equitable.

The division's mission is to annually provide the City Council of Honolulu with a certified assessment roll. The council uses this roll to set the tax rates for 10 general land classes, and generate property tax revenues for the City. To accomplish its mission, the division identifies real property parcels and respective owners; appraises parcels; processes exemption and dedication claims filed; notifies owners of the assessments placed on their respective properties; settles real property assessment and tax appeals; and maintains and updates maps, ownership records, valuation records, and computer and other required files.

The division is located in the Walter Murray Gibson Building at 842 Bethel Street and in Kapolei Hale at 1000 Uluohia Street. It is staffed by 107 permanent employees and is organized into four branches— Administrative/Technical, Mapping, Support Services, and Assessment.



ADMINISTRATIVE/TECHNICAL BRANCH

The Administrative/Technical Branch has 11 employees. This branch is responsible for the development of rules and regulations, administrative policies and procedures, building classifications, cost factors, training of appraisers, and technical support for all counties in the State of Hawaii.

This branch revised sections of the Revised Ordinances including those on agricultural dedications, the reporting of property values, and is reviewing internal standard operating procedures, ordinance changes, and Rules and Regulations.



RPA Public Research Room



RPA Public Counter

Walter Murray Gibson Building

MAPPING BRANCH

The Mapping Branch has 24 employees, six of whom are situated in Kapolei. The Mapping Branch is responsible for providing up-to-date tax maps and ownership data for the City and County of Honolulu. Other government agencies and the general public also use these maps and ownership records.

The Mapping Branch has made technological changes in processing ownership and mapping changes. They include the use of scanned images of recorded documents, and the updating of parcel data to the GIS base map.

<u>Workload Stats for FY 2006</u>	<u>Amount</u>
Mapping Parcels	11,312
Documents Processed	42,364
Parcels Affected	20,542
Apartments Affected	37,257
Maps Printed	4,010
Telephone Service	17,994
Walk-Ins	300

SUPPORT SERVICES BRANCH

The Support Services Branch has 13 employees, four of whom are situated in Kapolei. This branch is responsible for customer service at the counter, on the phone, and in the division's research room.

This branch processes all homeowners' and disability exemption claims, and Board of Review and Tax Appeal Court appeals. The Support Services Branch prepares adjustments to taxes resulting from errors, appeal decisions, and sale of government parcels.

<u>Workload Stats for FY 2006</u>	<u>Amount</u>
Exemptions processed	26,506
Counter Service	19,223
Telephone Service	32,997

ASSESSMENT BRANCH

The Assessment Branch has 70 employees, nine of whom are situated in Kapolei. They are responsible for the annual valuation and authorized adjustments of real property parcels within the City and County of Honolulu. The workload statistics for the FY 2006 follow:

<u>Workload Stats for FY 2006</u>	<u>Amount</u>
Property Appraisals	278,090
Building Inspections	7,500
New Condo Appraisals	4,878

Assessments and Exemptions

As of October 1, 2005, the branch assessed 278,855 tax parcels for FY 2006-2007, including 114,600 condominium units and 321,078 buildings. A total of 156,776 exemptions were allowed. The following are totals for the last three years:



	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
Tax Parcels (includes condos)	278,855	273,354	269,470
Tax Parcels (condos)	114,600	109,754	106,269
Building records	321,078	314,021	306,069

EXEMPTIONS

Basic Home*	52,634	52,434	50,968
Multiple of Home**	85,208	81,959	81,694
Others***	18,934	18,564	18,692
Appeals taken	6,030	4,179	3,837
Value on appeal (in thousands of dollars)	3,183,326 ...	2,137,969 ...	2,995,975

*. Basic home exemption \$40,000 (see details - Table 1).

**Multiple of home exemption - \$60,000 ages 55 to 59; \$80,000 ages 60 to 64; \$100,000 ages 65 to 69; \$120,000 age 70 & older.

***Other exemptions include churches, hospitals, schools, govt. parcels, etc.

Boards of Review

There are two Boards of Review that settle real property assessment and/or disallowances of exemption disputes between taxpayers and the Real Property Tax Assessor. These Boards are attached to the division for administrative support and consist of five members each. Members are appointed by the mayor and confirmed by the City Council for five-year terms.

First Board

Ruth M.F. Lin, Vice-Chair (Term expires 6/30/2010)

Wanda L.M. Ching, Member (Term expires 6/30/2009)

Henry W.H. Lau, Member (Term expires 6/30/2003)

Vacant

* Martha Kersting, Chair (Term expires 6/30/2007) – Resigned 3/01/06

Second Board

Dean Y. Senda, Chair (Term expires 6/30/2008)

Wendell S.L. Ching, Member (Term expires 6/30/2005)

James W.Y. Wong, Member (Term expires 6/30/2009)

Robyn Chun Alfonso, Member (Term expires 6/30/2007)

* Maria W. Sousie, Member (Term expires 6/30/2006) – Resigned 8/11/04

Tax Valuation and Taxes to be Raised

Assessed values are based on 100 percent of market value. Revenues to be raised and assessed valuations for the last three years are as follows (in thousands of dollars):

	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>
+Gross assessed values	\$166,520,105	\$132,029,874	\$109,784,145
Less: Exemptions	\$18,853,532	\$16,858,010	\$15,864,880
Less: 50% Value on Appeals	\$1,591,663	\$1,068,985	\$1,497,987
Net Value For Tax Rate	\$147,666,573	\$114,102,879	\$92,421,278
Taxes to be raised	\$718,090	\$581,801	\$496,428

Real Property Tax Rates

The City Council adopted the following tax rates for FY 2007:

	<u>Tax Rate Per \$1,000 Net</u>
Improved Residential	\$3.59
Unimproved Residential	\$5.72
Apartment	\$3.59
Hotel and Resort	\$11.97
Commercial	\$11.97
Industrial	\$11.97
Agricultural	\$8.57
Preservation	\$9.57
Public Service	\$0.00
Vacant Agricultural	\$8.57

+Gross assessed values do not include nontaxable properties.

Type of Exemption FY 2007	Number	Amount (Amount in Thousands)
Federal Government	383	\$6,669,577
State Government	3,187	\$10,411,616
County Government	2,089	\$4,641,818
Hawaiian Homes Land (Fee)	484	\$316,118
Hawaiian Homes Land (Lease)	2,552	\$1,076,533
Homes – Fee	131,123	\$10,083,141
(Basic)	50,218	\$2,017,424
(Multiple)	80,905	\$8,065,717
Homes – Leasehold	6,719	\$523,451
(Basic)	2,416	\$97,136
(Multiple)	4,303	\$426,315
Blind	332	\$8,201
Deaf	94	\$2,274
Leprosy	3	\$75
Totally Disabled	2,835	\$70,567
Totally Disabled Veterans	703	\$401,201
Cemeteries	45	\$47,531
Churches	822	\$1,530,566
Civil – Condemnation	31	\$35,157
Consulates	29	\$34,757
Credit Unions	51	\$70,740
Crop Shelters	26	\$2,912
Hawaiian Homes – 7-Year	311	\$125,292
Historic Residential	131	\$180,797
Hospitals	85	\$603,954
Landscaping, Open-Space	15	\$13,156
Low-Moderate Income Housing	256	\$1,059,033
Charitable Organizations	641	\$1,171,676
Public Utilities	488	\$597,260
Roadways and Waterways	3,045	\$12,484
Schools	113	\$786,237
Slaughterhouse	1	\$1,736
Setbacks	7	\$1,186
New Construction	119	\$421,684
Miscellaneous	5	\$5,770
TOTAL	156,725	\$40,906,500

NOTE: Amount includes government parcels at actual value and exemptions on federal lease, if any.



TREASURY DIVISION

Edlyn S. Taniguchi, Chief of Treasury

POWERS, DUTIES, AND FUNCTIONS

The Division of Treasury is responsible for the City's cash management, debt administration and certain accounts receivable. It maintains the City's treasury, deposits moneys and invests funds as authorized by law. The division issues and sells city bonds, paying interest on and redeeming them as required. It also bills and collects a variety of revenues and assessments, including real property taxes, improvement and business improvement district assessments, refuse disposal fees, refuse collection fees, real property rentals and concession contracts.

BILLING AND COLLECTION

Centralized Revenue Collections

The division administers the receivables for real property taxes, special assessments, special sewer fees, cesspool fees, automotive fuel and maintenance fees, engineering inspector overtime and permit fees, wastewater engineering inspection charges, sewer lateral charges, recovery of road and sidewalk repair, recovery of costs for damaged traffic property, concession agreements, and lease rents.





Real Property Tax

Real property taxes account for approximately two-thirds of the City's general fund revenues. In FY 2006, the division billed 267,169 accounts for \$716.9 million. Total FY 2006 taxes collected were \$585.6 million.

Prior year delinquencies at the beginning of the fiscal year amounted to \$6.0 million. During the year, the division collected \$0.8 million, representing approximately 13% of its delinquencies. On June 30, 2006, total delinquent real property taxes (outstanding FY 2006 taxes plus prior year uncollected delinquencies) totaled \$9.7 million or 1.7% of the FY 2006 taxes billed.

Improvement District Assessments

The City assesses a charge to property owners in approved improvement districts for certain public improvements and services that benefit these owners. Improvement district accounts numbered 484, which paid \$0.5 million.

Waikiki Business Improvement District Assessments

The Business Improvement Districts (BID) assess a charge to property owners for services that benefit these owners. The BID accounts numbered 4,744, which paid \$1.6 million in FY 2006.

Refuse Disposal Fees

The City charges commercial haulers a refuse disposal fee for utilizing one of the City's landfills or other solid waste disposal facilities. There were 227 active accounts that were billed and remitted revenues of \$54.2 million in FY 2006.

Refuse Collection Fees

Commercial customers incur a monthly refuse collection fee, based on their average refuse volume, for curbside pickup. In FY 2006, commercial customers numbered 649 and remitted fees of \$0.54 million.

Sewer and Cesspool Fees

The Treasury Division bills and collects fees from sewer users whose charges require special handling and from residential properties with cesspools. Revenues billed and collected during FY 2006 totaled \$11.5 million involving approximately 961 accounts.



CASH MANAGEMENT

Interest Earned

During FY 2006, deposits of \$3.2 billion and disbursements of \$1.3 billion flowed through the city treasury. The Treasury Division managed an average daily cash balance of \$634.2 million. Of that balance, treasury funds represented \$491.5 million, while Board of Water Supply funds and housing development funds were \$130.5 million and \$12.2 million, respectively.

The city earned \$18.8 million in interest income for the year. Treasury funds generated \$16.0 million (average yield of 3.63%) and Housing Development funds received \$0.4 million (average yield of 3.94%).

DEBT ADMINISTRATION

General Obligation Tax Exempt Commercial Paper Notes

The City Council authorized the issuance and sale of up to \$250 million of general obligation commercial paper. During fiscal year 2006, the city issued a total of \$180 million General Obligation Tax Exempt Commercial Paper Notes to fund

CIP projects and to purchase equipment. The amount of General Obligation Tax Exempt Commercial Paper Notes outstanding as of June 30, 2006 was \$64,600,000.

General Obligation Bonds Series 2005E and Series 2005F

The City, on November 22, 2005, issued \$396,165,000 of general obligation bonds at a true interest cost of 4.50301%. Series 2005E refunded the General Obligation Bonds Series 2001C variable rate bonds to fixed rate bonds. Series 2005F refunded \$155,000,000 of general obligation commercial paper notes.

Wastewater System Revenue Bonds Senior Series 2005A and Senior Series 2005B

The City on August 10, 2005 issued \$152,815,000 aggregate principal amount of the City and County of Honolulu Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2005A and Senior Series 2005B at a true interest cost of 4.55379%. Proceeds of the bonds will be used for the purpose of paying the costs of various improvements to the Wastewater System as authorized by the capital budgets.

General obligation bonds totaling \$89.7 million matured during the year. The outstanding general obligation bonds as of June 30, 2006 totaled \$2.18 billion of which \$264.6 million were for housing, H-POWER and solid waste disposal, and \$38.9 million were for sewer projects.

Under the Constitution of the State of Hawaii and applicable provisions of the HRS, general obligation bonds issued for self-supporting public undertakings, such as the water system and assessable public improvements, are excludable in determining the funded debt of the City to the extent that the reimbursements are made to the General Fund for the principal and interest due on such bonds out of net revenues for water system improvements and assessment collections for assessable public improvements. Of the total debt of \$3.12 billion on June 30, 2006, \$1.72 billion is therefore considered to be direct tax-supported debt for legal debt margin purposes.

The State Constitution limits the funded debt of any county to 15% of the net taxable assessed valuation.

Net assessed valuation of taxable real property, at 100% of fair market value	<u>\$114.10</u> billion
15% of net assessed valuation of taxable real property	\$17.12 billion
Net funded debt	\$1.72 billion
Ratio of debt to assessed valuation	<u>1.51%</u>

The City’s general obligation bonds are rated Aa2 by Moody’s Investors Service, AA- with a positive outlook by Standard & Poor’s and AA by Fitch Ratings. Its wastewater system revenue bonds are rated Aa3 by Moody’s Investors Service, AA- by Standard & Poor’s and AA- by Fitch Ratings.